



4332-90-P

DEPARTMENT OF THE INTERIOR

Bureau of Reclamation

[RR01016000; XXXR4524KK; RX.41129361.1010000]

Notice of Intent to Contract for Hydroelectric Power Development on the Bureau of Reclamation's North Unit Main Canal, Deschutes Project, Madras, Oregon

AGENCY: Bureau of Reclamation, Interior.

ACTION: Notice of intent to accept proposals, select lessee(s), and contract for hydroelectric power development.

SUMMARY: The Bureau of Reclamation (Reclamation) has received a proposal to allow hydroelectric power development on the North Unit Main Canal (NUMC) under a Lease of Power Privilege (LOPP). To ensure fair and open competition, Reclamation is soliciting competing proposals at this time.

DATES: Submit the written proposal on or before [INSERT DATE 150 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]. Late proposals will not be considered. Delayed delivery to the Regional Power Manager's office due to failures or misunderstandings of the entity and/or of mail, overnight, or courier services will not excuse lateness, and accordingly, are advised to provide sufficient time for delivery.

ADDRESSES: Send eight copies of the written proposal to Mr. Joseph Summers, Regional Power Manager, Bureau of Reclamation, 1150 North Curtis Road, Suite 100, Boise, ID 83706; telephone (208) 378-5290.

FOR FURTHER INFORMATION CONTACT: Questions regarding proposal requirements or technical data available for the North Unit Main Canal may be directed

to Mr. Jake Nink, Bureau of Reclamation, 1150 North Curtis Road, Suite 100, Boise, ID 83706; telephone (208) 378-5090; email jnink@usbr.gov. Upon receipt of written request, Mr. Nink will also arrange an informational meeting and/or site visit with interested entities. In this regard, Reclamation reserves the right to schedule a single meeting and/or visit to address the questions of all entities that have submitted questions or requested site visits.

Specific information related to operations and maintenance of the canal system may be obtained from Mr. Mike Britton, Bureau of Reclamation, North Unit Irrigation District Manager, 2024 Northwest Beech Street, Madras, OR 97741; telephone (541) 475-3625; email to mbritton@northunit.com.

SUPPLEMENTARY INFORMATION:

General Overview. The North Unit Irrigation District (NUID) operates and maintains the NUMC on the Deschutes Project located in the Deschutes River Basin, which supplies irrigation water to nearly 59,000 acres of farmland in Jefferson County, Oregon. Reclamation is considering allowing hydroelectric power development on the NUMC under a Lease of Power Privilege (LOPP).

A LOPP is a congressionally authorized alternative to Federal hydroelectric power development. It is a contractual right given to a non-federal entity to use a Reclamation asset for electric power generation consistent with Reclamation project purposes. Terms of a LOPP shall not exceed 40 years. General authority under Reclamation law for a LOPP includes, among others, the Town Sites and Power Development Act of 1906 (43 U.S.C. § 522), the Reclamation Project Act of 1939 (43 U.S.C. § 485h(c)) (1939 Act), and the Bureau of Reclamation Small Conduit

Hydropower Development and Rural Jobs Act of 2013 (Act of August 9, 2013, 127 Stat. 498).

Reclamation will be responsible for compliance with the National Environmental Policy Act (NEPA) related to any project selected for consideration pursuant to this Notice of Intent. Reclamation will also lead necessary consultation with American Indian Tribal Governments and compliance with the National Historic Preservation Act, Endangered Species Act, and other related environmental regulations for all elements of the proposed project. A LOPP may be issued only after Reclamation has determined that NEPA and any other regulatory compliance requirements are completed.

Project Definition and Location.

On August 7, 2017, Reclamation received a formal proposal for non-federal hydroelectric power development from Kinet Inc. at 12 sites on the NUMC. Kinet Inc. proposes to develop these sites utilizing a new technology called linear Pelton turbines.

This solicitation is exclusive to the following 12 NUMC sites:

| | |
|--------------------|------------------------|
| Site Name | Mile 2 South |
| Latitude Longitude | 44.082201 - 121.286401 |
| Canal Mile Marker | 1.78 |
| Head (m) | 6.1 |
| Flow (cms) | 20 |

| | |
|--------------------|------------------------|
| Site Name | Mile 2 North |
| Latitude Longitude | 44.086971 - 121.274233 |
| Canal Mile Marker | 2.11 |
| Head (m) | 6.1 |
| Flow (cms) | 20 |

| | |
|--------------------|------------------------|
| Site Name | Mile 3 |
| Latitude Longitude | 44.092839 - 121.256296 |
| Canal Mile Marker | 3.52 |
| Head (m) | 6.1 |
| Flow (cms) | 20 |

| | |
|--------------------|------------------------|
| Site Name | Mile 18 |
| Latitude Longitude | 44.251184 - 121.128517 |
| Canal Mile Marker | 18.34 |
| Head (m) | 6.71 |
| Flow (cms) | 21 |

| | |
|--------------------|---------------------|
| Site Name | Mile 19 |
| Latitude Longitude | 44.2666 - 121.12075 |
| Canal Mile Marker | 19 |
| Head (m) | 4.4 |
| Flow (cms) | 16 |

| | |
|--------------------|---------------------|
| Site Name | Mile 20 |
| Latitude Longitude | 44.2838 - 121.11471 |
| Canal Mile Marker | 20 |
| Head (m) | 5.36 |
| Flow (cms) | 21 |

| | |
|--------------------|------------------------|
| Site Name | Mile 43 |
| Latitude Longitude | 44.500374 - 121.154865 |
| Canal Mile Marker | 45 |
| Head (m) | 18.2 |
| Flow (cms) | 7.1 |

| | |
|--------------------|-------------------------|
| Site Name | Mile 48 |
| Latitude Longitude | 44.5368587 - 121.153547 |
| Canal Mile Marker | 47.98 |
| Head (m) | 3.66 |
| Flow (cms) | 7.2 |

| | |
|--------------------|------------------------|
| Site Name | Mile 50 East |
| Latitude Longitude | 44.571091 - 121.158783 |
| Canal Mile Marker | 19 |
| Head (m) | 51 |
| Flow (cms) | 2.98 |

| | |
|--------------------|------------------------|
| Site Name | Mile 50 West |
| Latitude Longitude | 44.572148 - 121.160127 |
| Canal Mile Marker | 19 |

| | |
|------------|------|
| Head (m) | 3.05 |
| Flow (cms) | 7.0 |

| | |
|--------------------|------------------------|
| Site Name | Mile 52 South |
| Latitude Longitude | 44.601337 - 121.162522 |
| Canal Mile Marker | 53.69 |
| Head (m) | 3.05 |
| Flow (cms) | 7.0 |

| | |
|--------------------|------------------------|
| Site Name | Mile 52 North |
| Latitude Longitude | 44.603526 - 121.161854 |
| Canal Mile Marker | 19 |
| Head (m) | 3.05 |
| Flow (cms) | 7.0 |

Reclamation notified NUID of the Kinet Inc. proposal and solicited NUID's interest in submitting a proposal as a preferred entity. In a subsequent letter dated September 21, 2017, NUID declined interest in hydroelectric power development at the proposed sites. As a result, Reclamation is soliciting proposals for consideration to allow hydroelectric power development under a LOPP on the NUMC system.

Fundamental Considerations and Requirements.

1. Under this solicitation, Reclamation may only issue a LOPP for hydroelectric power development at the 12 identified NUMC sites described herein.

2. Any LOPP terms for hydroelectric power development on the NUMC must not interfere with existing contractual commitments related to operations and maintenance of the canal system. The lessee (i.e., successful proposing entity) will be required to enter into a contract with Reclamation. This contract will, (1) address requirements related to coordination of operations and maintenance with Deschutes Project stakeholders (including the NUID); and (2) stipulate that the lessee will be responsible for any increase in operations or maintenance costs that are attributable to the hydroelectric power

development.

3. The lessee would be responsible for securing transfer and marketing of the power generated by the proposed project.

4. All costs incurred by the United States related to a proposed LOPP project will be at the expense of the lessee. Such costs include management and coordination of necessary Reclamation activities, provision of information, conduct of or assistance with regulatory compliance (including NEPA), consultation during design development and related to operations and maintenance under a LOPP, development of the LOPP, necessary contracts with outside consultants, or any other cost for which the government would be reimbursed by an applicant or the general public. In addition, the lessee will be required to make annual payments to the United States for the use of a government facility in the amount of at least 2-3 mills per kilowatt-hour of gross energy produced by the facility, measured at the generator(s).

5. The LOPP will include provisions for the mill rate to increase each year commensurate with inflation based on the previous 5-year average of the Gross Domestic Product (GDP) Price Deflator; however, the rate of increase will be capped at 5 percent. If the 5-year GDP Price Deflator average shows no change or deflation, the mill rate will remain the same as the previous year's rate. Annual payments to the United States will be deposited as a credit to the Reclamation fund and project to be applied against the total outstanding reimbursable repayment obligation for reimbursable project construction costs of the Deschutes Project pursuant to the existing construction cost allocation (not applied only against power construction costs). If the outstanding reimbursable repayment obligation for project construction costs is satisfied, then the payments will be

held as a statutory credit for the project or program until an eligible reimbursable project expense is incurred against which the credit can be applied.

Proposal Content Guidelines.

Interested parties should submit proposals specifically addressing the following qualifications, capabilities, and approach factors. Proposals submitted will be evaluated and ranked directly based on these factors. Additional information may be provided at the discretion of those submitting proposals.

(a) Qualifications of Proposing Entity: Provide relevant information describing/documenting the qualifications of the proposing entity to plan, design, and implement such a project, including, but not limited to:

- Type of organization.
- Business history, including length of time in business, experience in funding, and design and construction of similar projects.
- Industry rating(s) that indicate financial soundness and/or technical and managerial capability.
- Experience of key management personnel.
- History of any reorganizations or mergers with other companies (if applicable).
- Preference status (as applied to a LOPP, the term “preference entity” means an entity qualifying for preference under Section 9(c) of the 1939 Act as a municipality, public corporation or agency, or cooperative or other nonprofit organization financed in whole or in part by loans made pursuant to the Rural Electrification Act of 1936, as amended).
- Any other information not already requested above or in the following evaluation

categories that demonstrates the interested entity's organizational, technical, and financial ability to perform all aspects of the work.

(b) Proposed Development Plan: Describe and provide mapping and drawings of proposed facilities and equipment comprising the LOPP project. Include descriptions and locations of structures, turbines, penstocks, transmission lines, access roads, and other appurtenant facilities.

Describe proposed capacities and general operation of the hydroelectric projects to include generation capacity, power source and power consumption, configuration, turbine generating capacity, distribution transmission line size and route, and other relevant aspects of the project.

Describe the ability of generation to provide ancillary services, such as regulation, spinning reserves, and volt-ampere reactive support, and information on the reliability of the generation, potential maintenance outage schedule, and duration.

(c) Proposed Approach to Acquisition of Necessary Property Rights: Specify plans for acquiring title to or the right to occupy and use all lands necessary for the proposed development, including such additional lands as may be required during construction. Address lands necessary for electrical distribution lines, access roads, and all aspects of project development and operation and maintenance.

(d) Long-Term Operation and Maintenance: Provide a description (with relevant references) of the project proponent's experience in operation and maintenance of hydroelectric or similar facilities once they are operational and over the long-term (i.e., the 40-year lease contemplated for the proposed development). Identify the organizational structure and plan for the long-term operation and maintenance of the

proposed development. Define how the proposed development would operate in harmony with the NUMC system.

(e) Contractual Arrangements: Describe any anticipated contractual arrangements with project stakeholders of the Deschutes Project, including contractual arrangements to utilize water rights held by NUID. Define how the proposed development would operate in harmony with the NUMC system.

(f) Management Plan: Provide a management plan to accomplish such activities as planning, NEPA compliance, LOPP development, design, construction, facility testing, start-up of hydropower production, and preparation of an Emergency Action Plan. Prepare schedules of these activities as applicable. Describe what studies are necessary to accomplish the hydroelectric power development and how the studies would be implemented.

(g) Environmental Impact: Discuss potential significant adverse impacts from the proposed development on biophysical or sociocultural resource parameters. Of particular concern are potential impacts on any protected aquatic or terrestrial wildlife species or associated protected habitat. Other concerns may include, but are not limited to, the impact on land use adjacent to the proposed development, recreation at the surrounding areas, cultural resources, and Indian Trust assets. Provide information on the types and severity of expected impacts and proposed methods of resolving or mitigating these impacts.

Describe potential beneficial impacts that may be expected from the development to include such perspectives as energy conservation or using available water resources in the public interest.

Describe proposed studies to adequately define the extent of the adverse and beneficial impacts, potential severity, and potential alternatives to mitigate impacts.

(h) Other Study and/or Permit Requirements: Describe planned response to other applicable regulatory requirements, including the National Historic Preservation Act, Clean Water Act, Endangered Species Act, and state and local laws and licensing requirements. Also describe any known potential for impact on lands or resources of American Indian tribes, including trust resources.

(i) Project Development Costs and Economic Analysis: Estimate the costs of development, including the cost of studies to determine feasibility, environmental compliance, project design, construction, financing, and the amortized annual cost of the investment. Estimate annual operation and maintenance, replacement expenses, annual payments to the United States, and those potentially associated with the Deschutes Project. Estimate costs associated with any anticipated additional transmission or wheeling services. Identify proposed methods of financing the project. The anticipated return on investment should be estimated and an economic analysis should be presented that compares the present worth of all benefits and the costs of the project.

(j) Performance Guarantee and Assumption of Liability: Describe plans for (1) providing the government with performance bonds or irrevocable letter of credit covering completion of the proposed project, (2) assuming liability for damage to the operational and structural integrity of the NUMC or other aspects of the Deschutes Project caused by construction, operations and/or maintenance of the hydropower development, and (3) obtaining general liability insurance.

(k) Other Information: This final paragraph is provided for the applicant to

include additional information considered relevant to Reclamation's selection process in this matter.

SELECTION OF LESSEE.

Reclamation will evaluate proposals received in response to this published notice. Proposals will be ranked according to response to the factors described in Fundamental Considerations and Requirements and Proposal Content Guidelines sections of this notice. In general, Reclamation will give more favorable consideration to proposals that (1) are well adapted to developing, conserving, and utilizing the water resource and protecting natural resources; (2) clearly demonstrate that the offeror is qualified to develop the hydropower facility and provide for long-term operation and maintenance; and (3) best share the economic benefits of the hydropower development among parties to the LOPP. A proposal will be deemed unacceptable if it is inconsistent with Deschutes Project purposes, as determined by Reclamation.

Reclamation will give preference to those entities that qualify as preference entities (as defined under Proposal Content Guidelines, item (a), of this notice) provided that the preference entity is well qualified and their proposal is at least as well adapted to developing, conserving, and utilizing the water and natural resources as other submitted proposals. Preference entities will be allowed 30 days to improve their proposals, if necessary, to be made at least equal to a proposal(s) that may have been submitted by a non-preference entity.

Notice and Time Period to Enter Into LOPP.

Reclamation will notify, in writing, all entities submitting proposals of Reclamation's decision regarding selection of the potential lessee. The selected potential

lessee will have 15 months from the date of selection of the lessee to sign the preliminary lease, complete the requirements set forth in the preliminary lease, and to sign the LOPP. The lessee will then have up to 3 years from the date of the preliminary lease agreement to the beginning of construction. Maximum timeframes for construction will be determined by the Regional Director. Such timeframes may be adjusted for just cause resulting from actions and/or circumstances that are beyond the control of the lessee.

Dated: March 22, 2018.

Lorri J. Gray,
Regional Director,
Pacific Northwest Region.

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